

File

ACARI MINES LTD.

(No Personal Liability)



A MAJOR MINERAL VENTURE

PROSPECTUS

ACARI MINES LTD.

(Incorporated under the laws of the Province of New Brunswick)

This Prospectus is not, and under no circumstances is to be construed as, a public offering of the shares of the company for sale in the United States of America or in the territories or possessions thereof.

Head Office:

133 Prince William Street, Saint John, N.B.

Transfer Agents:

Eastern & Chartered Trust Co.

Solicitors:

Messrs. Teed & Teed
Harbour Building, Prince William Street, Saint John, N.B.

Offering:

\$3,000,000.00
600,000 shares at \$5.00 are offered by this prospectus

The company offers for sale to the public by way of primary distribution directly and through registered brokers and investment dealers 600,000 of its treasury shares at the issue price of \$5.00 per share. For the protection of the subscribers to this offering 85% of all subscription monies will be held in trust by the Eastern & Chartered Trust Co., Saint John, N.B., until such time as there are sufficient funds for the company to meet the first \$1,080,000 respecting the Peruvian commitment. Should the company for any reason within 90 days from the date of this prospectus be unable to meet the first instalment under the contract agreement any subscriber will, for a period of three months thereafter, be entitled to receive the return of 85% of his subscription upon the presentation and surrender of his certificate to the Trust Company.

No person is authorized by the company to give any information or to make any representation, other than those contained in this prospectus, in connection with the issue and sale of these shares. If given or made, such information or representation cannot be relied upon as having been authorized by the company.

A Major Mineral Venture

The purchase of the securities offered by this prospectus must be considered a speculation.

No Securities Commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

GENERAL STATEMENT

Acari Mines Ltd. (No personal liability) was formed for the purpose of going into partnership with Peruvian interests in the operation and continued development of extensive iron and copper ore deposits in the coastal region of Southern Peru. It has the opportunity of acquiring a 50% interest in the South American operation by subscribing for 7,000,000 shares of Canperu Development Ltd. (a Nassau company not yet incorporated) a holding company with an authorized capitalization of 14,000,000 U. S. dollars. Canperu Development Ltd. will own and control the entire South American operation.

The initial payments by Acari Mines Ltd. will be 2,000,000 U. S. dollars.

In addition Acari Mines Ltd. has acquired 54 mining claims in New Brunswick in the Bathurst area which are a secondary project.

To ensure continuity of policy, voting control of Acari Mines Ltd. will be retained in Ocean Investment Co. Ltd., a New Brunswick company, for a period of five years. In turn, by agreement between Ocean Investment Co. Ltd. and Acari Mines Ltd., three directors of Acari Mines Ltd. will vote these controlling shares.

STATUTORY

1. The full name of the company is Acari Mines Ltd. (No personal liability) and the address of its Head Office is Harbour Building, 133 Prince William Street, Saint John, N.B.
2. The company was incorporated under the Companies' Act (being Chapter 33 of the Revised Statutes 1952) of the Province of New Brunswick by letters patent dated January 11, 1967.
3. The full name, occupation and home address of each of the Officers, Directors and Promoters of the Company are as follows:

OFFICERS

President, Eric Lawrence Teed, *Barrister-at-Law*
1019 Seawood Lane, Saint John, N.B.

Vice President, John Joseph Brown, *Chartered Accountant*
2085 West 35th Street, Vancouver 13, B.C.

Secretary-Treasurer, Elizabeth DeMille, *Secretary*
10 Peel Street, Saint John, N.B.

DIRECTORS

Eric Lawrence Teed, *Barrister-at-Law*
1019 Seawood Lane, Saint John, N.B.

John Joseph Brown, *Chartered Accountant*
2085 West 35th Street, Vancouver 13, B.C.

Perry Arthur West, *Business Executive*
32 Melrose Avenue, Fairview, Halifax, N.S.

Thomas Alexander Kennedy, *Business Executive*
4605 Bellevue Drive, Vancouver 8, B.C.

Ralph Titus Pearson, *Business Executive*
20 Murray Street, Sussex, N.B.

PROMOTERS

EARLY BIRD MINES LTD. (N.P.L.) a company incorporated under the laws of British Columbia, with its Head Office at 4775 Main Street, Vancouver, B.C.

OCEAN INVESTMENT CO. LTD. a company incorporated under the laws of New Brunswick with its Head Office at 133 Prince William Street, Saint John, N.B.

4. The auditors of the company are McDonald, Currie & Co., Chartered Accountants, Saint John, N.B., and Hansen-Holm Alonzo & Co., Public Accountants, Lima, Peru.

5. The Eastern & Chartered Trust Company, Saint John, N.B., is the Registrar and Transfer Agent for the shares of the Company.

6. The company is authorized to issue 5,000,000 common shares having a par value of \$1.00 each and has issued as paid up 800,400 shares.

7. At the date hereof no bonds or debentures of the company are outstanding or intended to be issued.

8. The 800,400 shares which have been issued are to be held as follows:

Free shares to service the market	30,000
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To be sold in a pool and subject to release only at such time and in such quantity as the directors may approve and permission secured from the administrator under the Security Frauds Prevention Act of the Province of New Brunswick. 35,000 of these shares are subject to the voting agreement of the next paragraph.	95,400
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To be held in escrow by the Eastern & Chartered Trust Company, Saint John, N.B. Subject to release, alienation, hypothecation or transfer within escrow only upon the written consent of the Board of Directors, the New Brunswick Administrator and the other proper authorities accepting this prospectus for filing. These shares are subject to an agreement between the company and Ocean Investment Co. Ltd. whereby three directors of Acari Mines Ltd. will vote these shares for a period of five years.

These shares, together with the 35,000 shares in the foregoing paragraph, will be sufficient to control and elect the majority of the Board of Directors.	675,000
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9. A. The company (as per 8 above) has by private subscription sold 50,400 shares at \$1.00 each for cash.

B. Cash received from sale of shares in 9A was \$50,400.

C. No commission was paid on the sale of the aforementioned shares.

10. No other securities of the company have been sold.

11. No shares have been issued or are to be issued or cash paid to any promoter as such; however, Early Bird Mines Ltd. are to receive 100,000 of the vendors' shares for services rendered and Ocean Investment Co. Ltd. has privately subscribed for 5,000 shares at \$1 each for cash.

12. A-1. The company owns undeveloped mining properties in the County of Northumberland, New Brunswick, 38 miles west of Bathurst. They consist of 54 contiguous claims astride Devils Brook at the site known as Devils Elbow and are registered as follows:

License No.	Tag No.
10931	195056 to 195066 inclusive
10930	195031 to 195055 inclusive
10931	195071 to 195077 inclusive
6937	194441 to 194443 inclusive
	194448
	194451 to 194456 inclusive
	194458

A-2. Under the terms of an agreement dated January 23, 1967 with Messrs. Guillermo and Eduardo Dasso of Lima, Peru, the company will acquire a 50% interest in an extensive iron and copper mining development in Peru.

The company is to subscribe to 50% of the authorized capital stock of \$14,000,000 U. S. of a company to be incorporated under the laws of the Bahamas with Head Office in Nassau under the name Canperu Development Ltd. The remaining 50% of the capital stock will be subscribed for by Messrs. Dasso or a company so designated by them.

The Company and Messrs. Dasso will be the sole shareholders of Canperu Development Ltd. and each will have voting and dividend rights to 7,000,000 shares.

The company's subscription to the 7,000,000 shares (50%) of Canperu Development Ltd. will be payable in U.S. dollars as follows:

August 30, 1967	.....	\$1,000,000	
November 30, 1967	.....	1,000,000	
Payable in accordance with the terms of The Chase Manhattan loan from future dividends or in cash:			
1968	.....	\$ 62,000	
1969	.....	750,000	
1970	.....	950,000	
1971	.....	3,238,000	5,000,000
			<u>7,000,000</u>

Canperu Development Ltd. will have 8 directors; 4 appointed by Acari Mines Ltd. and 4 by Messrs. Dasso. No faction will control and any controversy will be settled by arbitration by the then President of the Peruvian Chamber of Commerce.

B-1. The New Brunswick mining claims were acquired from Ocean Investment Co. Ltd. by the issue of 750,000 vendors' shares at 50¢ each and \$2,500 cash being the amount of money paid in connection with the staking and recording of the claims.

B-2. The stock subscription referred to in 12 (A-2) is to Canperu Development Ltd., Nassau, Bahamas, and is for 7,000,000 U.S. dollars of which 2,000,000 U.S. dollars is the requirement of this prospectus. The subscription price is the par value of the shares being acquired.

C. The vendors' shares less 30,000 shares will be held in a pool and/or in escrow and subject to a voting agreement. Those holding more than a five percent interest are as follows:

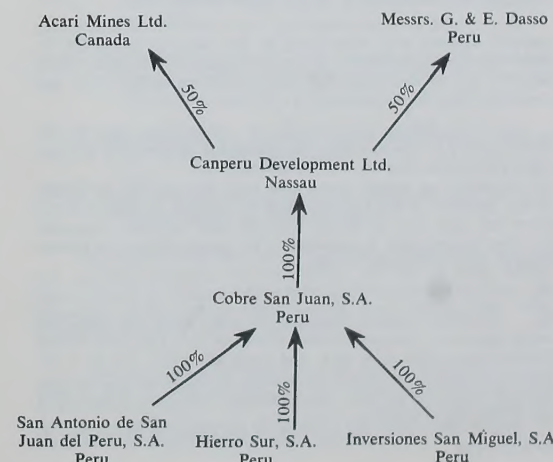
S. Keith Shanklin	Saint John, N.B.	52,500
Guillermo Dasso	Lima, Peru	200,000
Early Bird Mines Ltd.	Vancouver, B.C.	100,000
Mrs. Alice Marion Williamson	Bathurst, N.B.	60,000
Ocean Investments Ltd.	Saint John, N.B.	175,400

In addition to the above, 50,000 shares are held for the benefit of the Directors who are each to receive 1,000 shares for each year of service until the pool is dispersed.

13. A. The mining claims referred to in paragraph 12 (A-1) are in Northumberland County astride Devils Brook, some 38 miles west of Bathurst. Reference is made to the accompanying report of Stanley S. Hunter, P. Eng. dated June 3, 1967 for particulars relating to such claims, including surveying, property, tract location, access, topography, history, geology, economic geology, proposed programme, conclusions and recommendations. No work has been done on the property by the Company nor to the knowledge of the Company by anyone else. It is the intention of the Company to implement the recommendations contained in the said report. There is no surface or underground plant or equipment located on the property.

B. Canperu Development Ltd. will own all the shares of capital stock of Cobre San Juan, S.A., a Peruvian mining company which in turn owns all the shares of capital stock of San Antonio de San Juan del Peru, S.A., Hierro Sur, S.A., and Inversiones San Miguel, S.A., all Peruvian mining companies.

The following chart gives the affiliation of the chain of companies:



The \$2,000,000 U.S. payment on account of Acari's stock subscription is to be advanced by Canperu to Cobre San Juan to pay off \$1,000,000 of the Chase Manhattan loan and \$618,000 on account of assets acquired from Pan American Commodities, S.A. This latter company formerly carried on the main mining operation but in consideration of Cobre San Juan assuming its mortgage indebtedness and the payment of a royalty it has agreed to lease:

1. Transfer its moveable assets by lease-purchase.
2. Lease its fixed assets in perpetuity.
3. Lease and/or assign all mining claims and concessions and port facilities in perpetuity. (Peruvian law).

Acari Mines Ltd. will warrant and guarantee Canperu Development Ltd. and it in turn will guarantee the performance by Cobre San Juan, S.A., in the liquidation of the indebtedness to the Chase Manhattan Bank, N.Y.

In the event that the operation does not generate sufficient funds to meet the payments due to the Chase Manhattan Bank and Acari Mines Ltd. cannot provide the necessary monies then Messrs. G. & E. Dasso have the right to provide the balance of payments due to Chase Manhattan Bank and obtain delivery of the then balance of Canperu shares being held in escrow for the account of Acari.

The operation of the four Peruvian companies will be the exploration, development and extraction of all minerals from the mining concessions owned or leased, the principle minerals are iron and copper.

At the present time the operation is producing approximately 900,000 tons of magnetite iron ore (63% F.E.) and 5,000 tons of 17% copper ore. Changes are now in progress to step up production to 1,500,000 tons of iron ore and 15,000 tons of copper ore.

Messrs. G. & E. Dasso have warranted and guaranteed that the consolidated financial position of Cobre San Juan, S.A. will at the date of take-over be the same or better than that as shown by Messrs. Hansen-Holm Alonso & Co. as at December 31, 1966. In the event that the position is not the same or better, then the difference will be for Messrs. Dasso account.

14. There are at this date no underwriting or option agreements.

15. The money received from the sale of shares of capital stock will be dealt with as follows:

	Can. \$	
Received		
Private subscription	50,400	
Public subscription	3,000,000	
	3,050,400	
Disbursed		
Discount and commission		
10% of \$3,000,000	300,000	
Engineering, legal, audit, organization		
and development expenses	100,000	
Payment on account of acquisition of		
interest in mining development in		
Peru	2,160,000	
Development of New Brunswick		
mining claims	100,000	2,660,000
Balance available for general operations	390,400	

16. The pre-operational expenses are as follows:

	Can. \$
Organization	1,500.00
Legal	16,500.00
Audit	32,500.00
Engineering	2,802.23
Economic survey of Peru	4,624.92
Canada and Peru meetings	27,524.51
Telephone and cable	380.13
General office	955.47
	86,787.26
Paid	45,452.62
Balance owing	41,334.64

17. The attached balance sheet and pro forma balance sheet correctly present the financial position of the company.

18. A. The principal business in which each Director or Officer has been engaged during the past three years is:

Eric Lawrence Teed
Practising barrister of the firm Teed & Teed,
Saint John, N.B.
Mayor of City of Saint John, N.B.
John Joseph Brown
Public Accountant, partner of the firm Brown,
Steele, Johnstone & Co., Vancouver, B.C.
Perry Arthur West
Managing Director, Tartan Seafoods Ltd.,
Halifax, N.S. (2 years)
Stanbury & Co. Ltd., Investment Dealers,
Halifax, N.S. (previous)
Thomas Alexander Kennedy
Vice President and General Manager,
Pacific Coast Pipe Ltd., Vancouver, B.C.
Ralph Titus Pearson
General Insurance, 20 Murray Street, Sussex, N.B.

B. No director or officer has or ever had any interest in any property acquired or to be acquired by the company except Eric L. Teed who is the President of Ocean Investment Co. Ltd. which acquired the mining claims referred to in paragraph 12A and transferred them to the company.

C. No director has received any remuneration paid by the company since its incorporation. No officer has received any remuneration paid by the company since its incorporation.

50,000 of the escrow shares have been allocated for the benefit of the Directors. Each Director shall be entitled to receive 1,000 shares for each year of service until the pool has been dispersed. No other remuneration is estimated to be payable during the current financial year to directors or officers.

19. No dividends have been paid to date.

20. The three Directors nominated by Acari Mines Ltd. under the voting agreement between Ocean Investment Co. Ltd., 133 Prince William Street, Saint John, N.B., and Acari Mines Ltd. will be in the position to cause to be elected the majority of the Board of Directors. These Directors presently are Eric Lawrence Teed, Perry Arthur West and Ralph Titus Pearson.

Eric L. Teed owns the majority of the shares in Ocean Investment Co. Ltd.

21. As general information, the following documents and data are attached:

- A. Estimated statement of earnings of Canperu Development Ltd. for one year on the basis of the production and sale of 1,500,000 tons of iron ore and 15,000 tons of 15% copper ore.
- B. Forecast of source and application of funds of Canperu Development Ltd. for the first five year period.
- C. Balance sheet and pro forma balance sheet of Acari Mines Ltd. as at July 5, 1967.
- D. Pro forma consolidated balance sheet of Canperu Development Ltd. as at December 31, 1966.
- E. Pro forma consolidated balance sheet of Cobre San Juan, S.A. and its wholly owned subsidiaries as at December 31, 1966.
- F. Consolidated balance sheet of Cobre San Juan, S.A. and its wholly owned subsidiaries as at December 31, 1966 and the auditors' detailed report thereon.
- G. Excerpts from the engineers' report dated June 3, 1967 on the Devils Elbow claim group.
- H. General report on the Peruvian mining operation including excerpts from the engineer's report.

The excerpts from the engineer's reports are believed to be a fair and accurate summary; the full reports are on file with Administrator under the Security Frauds Prevention Act and are open for inspection at his office, 110 Charlotte Street, Saint John, N.B., during the period of primary distribution.

The foregoing constitutes full true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 13 of the Security Frauds Prevention Act and there is no further material information applicable other than in the financial statements or reports where required.

DIRECTORS

Eric Lawrence Teed
John Joseph Brown
Perry Arthur West
Thomas Alexander Kennedy

Ralph Titus Pearson

PROMOTERS

EARLY BIRD MINES LTD.

per Eric L. Teed
Attorney-at-law

OCEAN INVESTMENT CO. LTD.

per Edith Norman
Secretary

CANPERU DEVELOPMENT LTD. AND ITS
WHOLLY OWNED SUBSIDIARIES
ESTIMATED STATEMENT OF EARNINGS FOR ONE YEAR
ON THE BASIS OF THE PRODUCTION AND SALE OF
1,500,000 TONS OF IRON ORE AND
15,000 TONS OF 15% COPPER ORE

SALES	U.S. \$
Iron ore — lumpy 1,185,000 tons at 7.75	9,183,750
Iron ore — fines 315,000 tons at 4.75	1,496,250
Copper ore — 15,000 tons of 15% at .40¢ per lb.	1,800,000
	<u>12,480,000</u>

MINING COSTS

Iron ore — Exploration, development, preparation, stopping, haulage indirect and transportation	6,265,302	
Waste stripping	154,050	
Taxes	930,000	
Port operation	390,000	
Royalties	300,000	
Depreciation	540,000	
Overhead	624,460	
Interest	600,000	
	<u>9,803,812</u>	
Less: Decrease in costs	<u>592,500</u>	9,211,312

Copper ore — Mining and sorting	255,000	
Freight	120,000	
Taxes	45,000	
Treatment	45,000	
Overhead	37,500	
Royalties	7,500	
Depreciation	30,000	
Dock	20,000	
	<u>560,000</u>	9,771,312
		<u>2,708,688</u>
Deduct: Sales commission to Wambesco	<u>250,000</u>	
		<u>2,458,688</u>

CANPERU DEVELOPMENT LTD. AND ITS WHOLLY OWNED SUBSIDIARIES FORECAST OF SOURCE AND APPLICATION OF FUNDS FOR THE FIRST FIVE YEARS OF OPERATION					
SOURCE	U.S. \$ 1st	2nd	3rd	4th	5th
Profit	2,458,688	2,458,688	2,458,688	2,458,688	2,458,688
Depreciation	570,000	570,000	570,000	570,000	570,000
Acari Mines Ltd.	2,000,000	—	—	—	—
	<u>5,028,688</u>	<u>3,028,688</u>	<u>3,028,688</u>	<u>3,028,688</u>	<u>3,028,688</u>
APPLICATION					
Exploration and development	827,700	963,800	583,800	270,000	150,000
Capital expenditure	350,000	300,000	300,000	600,000	300,000
Term debt	1,164,701	62,000	750,000	950,000	3,713,000
Gordon et al.	218,000	—	—	—	—
Banco Minero Panamerican Commodities S.A.	618,265	500,000	500,000	—	—
	<u>3,178,666</u>	<u>2,205,800</u>	<u>2,133,800</u>	<u>1,820,000</u>	<u>4,163,000</u>
Less: Explora- tion and devel- opment included in mine costs	450,300	450,300	450,300	450,300	450,300
	<u>2,728,366</u>	<u>1,755,500</u>	<u>1,683,500</u>	<u>1,369,700</u>	<u>3,712,700</u>
Provision for increase in working capital	2,300,322	699,678	—	684,012	(684,012)
	<u>5,028,688</u>	<u>2,455,178</u>	<u>1,683,500</u>	<u>2,053,712</u>	<u>3,028,688</u>
CASH SURPLUS	<u>NIL</u>	<u>573,510</u>	<u>1,345,188</u>	<u>974,976</u>	<u>NIL</u>
		<u>TOTAL CASH SURPLUS</u>		<u>2,893,674</u>	
		<u>AVERAGE PER YEAR</u>		<u>578,735</u>	

ESTIMATED PROFIT

On the basis of our personal knowledge and the engineering reports of the operations being acquired, we are of the opinion that the above estimated statement of earnings and the attached estimated statement of source and application of funds present fairly the results that may be reasonably expected.

ERIC L. TEED
RALPH T. PEARSON
Directors
ACARI MINES LTD.

ACARI MINES LTD. (No personal liability) BALANCE SHEET AND PRO FORMA BALANCE SHEET AS AT JULY 5, 1967		
ASSETS	Balance sheet \$	Pro forma balance sheet (note 1) \$
Cash	2,448	542,448
Investment in shares of Canperu Development Ltd. (note 1)		7,560,000
Mining claims (note 2)	377,500	377,500
Pre-operational expenses (note 3)	86,787	86,787
Discount and commission to brokers and investment dealers (note 1)		300,000
	<u>466,735</u>	<u>8,866,735</u>
LIABILITIES		
Accounts payable (note 3)	41,335	41,335
Balance due on purchase of shares in Canperu Development Ltd. (note 4)		5,400,000
Capital stock Authorized — 5,000,000 shares of \$1 each Issued and non-assessable — 800,400 (vendors — \$750,000 cash — \$50,400)	800,400	
Less: Discount on vendor's shares (note 2)	375,000	
	<u>425,400</u>	425,400
600,000	600,000	
1,400,400 shares	<u>1,025,400</u>	1,025,400
Contributed surplus (note 5)		2,400,000
	<u>466,735</u>	<u>8,866,735</u>

Signed on behalf of the Board.

ERIC L. TEED
Director

RALPH T. PEARSON
Director

CONTINGENT LIABILITY (note 6)

To the Directors
Acari Mines Ltd.

We have examined the accompanying balance sheet and pro forma balance sheet of Acari Mines Ltd. (No personal liability) as at July 5, 1967. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. In our opinion, the accompanying balance sheet, when read in conjunction with the notes appended thereto, presents fairly, in accordance with generally accepted accounting principles, the financial position of the company as at July 5, 1967. In our opinion, the accompanying pro forma balance sheet also presents fairly the financial position of the company as at the same date, after giving effect to the changes set forth in the notes thereto.

McDONALD, CURRIE & CO.
Chartered Accountants

ACARI MINES LTD.
(No personal liability)
NOTES TO BALANCE SHEET AND
PRO FORMA BALANCE SHEET
AS AT JULY 5, 1967

- The pro forma balance sheet as at July 5, 1967 gives effect as of that date to the following:
 - The issue and sale of 600,000 shares of capital stock for cash of \$600,000 and a premium arising therefrom in the amount of \$2,400,000.
 - The payment of discount and commission in connection with this transaction of \$300,000.
 - The purchase, by an agreement with Messrs. G. & E. Dasso dated January 23, 1967, of 50% of the authorized capital stock of Canperu Development Ltd. for a total consideration of \$7,560,000 (U.S. \$7,000,000).
- The company acquired certain mining claims in the Province of New Brunswick through the issue of 750,000 shares at a discount of 50¢ each (vendors' shares) and a cash payment of \$2,500 for the staking and recording of claims.
- The pre-operational expenses are as follows:

	\$
Organization	1,500
Legal	16,500
Audit	32,500
Engineering	2,802
Economic survey of Peru	4,625
Canada and Peru meetings	27,525
Telephone and cable	380
General office	955
	<u>86,787</u>
Less: Amounts paid	<u>45,452</u>
BALANCE OWING	<u>41,335</u>
- Subscription for shares in Canperu Development Ltd. (note 1) 7,560,000
Less: Payment U.S. \$2,000,000 2,160,000
Balance payable under the terms of the agreement of January 23, 1967 5,400,000

P.O. Box 789,
Saint John, N.B.
July 5, 1967.

ACARI MINES LTD.
(No personal liability)

NOTES TO BALANCE SHEET AND PRO FORMA
BALANCE SHEET (continued)
AS AT JULY 5, 1967

5. Prospectus offering —	\$
600,000 shares at \$5	3,000,000
Less: Par value of shares	600,000
Pro Forma Contributed Surplus	<u>2,400,000</u>

6. Contingent liability —
Under the terms of the agreement referred to in Note 1, the Company has guaranteed the instalments and interest thereon as they become due on the first U.S. \$5,000,000 due The Chase Manhattan Bank by the Peruvian operation.

The Directors,
Acari Mines Ltd.,
Saint John, N.B.

P.O. Box 789,
Saint John, N.B.,
July 7, 1967.

We have examined the attached pro forma consolidated balance sheet of Canperu Development Ltd. (not yet incorporated) and its proposed wholly owned subsidiaries Cobre San Juan S.A., San Antonio de San Juan del Peru S.A., Hierro Sur S.A., and Inversiones San Miguel S.A., and in our opinion it presents fairly the consolidated financial position of the companies as it would have appeared at December 31, 1966 had the transactions set forth in the notes attached thereto been consummated at that date.

The pro forma consolidated balance sheet as at December 31, 1966 of Cobre San Juan S.A. and its wholly owned subsidiaries forms an integral part of this pro forma balance sheet and must be read in conjunction therewith.

McDONALD, CURRIE & CO.
Chartered Accountants

CANPERU DEVELOPMENT LTD.
(To be incorporated under the laws of the Bahamas)
AND ITS WHOLLY OWNED SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1966

ASSETS

CURRENT ASSETS		U.S. \$
Cash (note 2)	2,028,065	
Accounts receivable	43,931	
Inventories	<u>521,875</u>	2,593,871
OTHER ASSETS (note 3)		5,073,314
FIXED ASSETS — (at cost)		
less accumulated depreciation		15,059,282
DEFERRED EXPLORATION AND DEVELOPMENT EXPENSES	<u>1,211,694</u>	
	<u>23,938,161</u>	

LIABILITIES

CURRENT LIABILITIES		
Bank advances	31,772	
Notes and accounts payable	1,304,573	
The Chase Manhattan Bank	1,000,000	
Panamerican Commodities S.A.	<u>618,265</u>	2,954,607
DEFERRED LIABILITIES		6,983,554
CAPITAL STOCK (note 4)		
Authorized and issued —		
14,000,000 shares at \$1 each	<u>14,000,000</u>	
	<u>23,938,161</u>	

CANPERU DEVELOPMENT LTD. AND ITS WHOLLY
OWNED SUBSIDIARIES NOTES TO PRO FORMA
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1966

- The company is to be incorporated under the laws of the Bahamas with Head Office at Nassau. The purpose of the company is to acquire 100% control of the Peruvian companies, Cobre San Juan, S.A., San Antonio de San Juan del Peru S.A., Hierro Sur S.A. and Inversiones San Miguel S.A. The Capital stock is to be held 50% by Peruvian interests and 50% by Acari Mines Ltd. (no personal liability) a Canadian company.
- The cash includes \$2,000,000 to be received from Acari Mines Ltd.
- Other assets include the \$5,000,000 balance of the subscription to capital stock by Acari Mines Ltd.
- The shares of capital stock are to be issued as follows:
Messrs. G. & E. Dasso for all the
shares of Cobre San Juan S.A. 7,000,000
Acari Mines Ltd. — stock subscription

7,000,000
7,000,000
14,000,000

The 7,000,000 shares to Acari Mines Ltd. are to be paid \$1,000,000 on August 30, 1967 and \$1,000,000 on November 30, 1967. The balance of \$5,000,000 is to be paid from future dividends or in accordance with the terms of the Chase Manhattan Bank loan. (Prospectus section 12 (a-2)).

Acari Mines Ltd. is to have the voting and dividend rights of the 5,000,000 shares not paid for but the shares are to be held in escrow and released pro rata to the payments received.

In the event that the operation does not generate sufficient funds to meet the Chase Manhattan indebtedness and Acari Mines Ltd. fails to provide the necessary monies then Messrs. G. & E. Dasso may liquidate the Chase Manhattan indebtedness and claim delivery of the then balance of shares held in escrow.

- 250 of the total of 500 shares of the capital stock of San Antonio de San Juan del Peru S.A. are held in escrow pending payment of the balance of \$218,946 due to Mrs. Gordon et al.

HANSEN-HOLM, ALONSO & CO.
Contadores Publicos

Lima - Peru

The Directors
Acari Mines Ltd.
Canada.

We have examined the attached pro-forma consolidated balance sheet of COBRE SAN JUAN S.A. and its wholly owned subsidiaries San Antonio de San Juan del Peru S.A., Hierro Sur S.A. and Inversiones San Miguel S.A. and in our opinion it presents fairly the financial position of the companies as it would have appeared at December 31, 1966 had the transactions set forth in the notes attached thereto been consummated at that date.

The balance sheet items are dealt with in our attached report. Both the balance sheet and our report form an integral part of the pro-forma consolidated balance sheet and must be read in conjunction therewith.

Lima, Peru
June 26, 1967

(Sgd.) HANSEN-HOLM, ALONSO & CO.

(Sgd.) Werner Hansen-Holm

Werner Hansen-Holm (Partner)
Peruvian Public Accountant
Matriculation No. 133

COBRE SAN JUAN S.A. AND ITS WHOLLY
OWNED SUBSIDIARIES

Consolidated Balance Sheet and Pro-Forma Consolidated
Balance Sheet as at December 31, 1966

	U.S. \$	
	Consolidated Balance Sheet	Pro-Forma Consolidated Balance Sheet
ASSETS		
Cash	28,065	28,065
Accounts receivable (Note 1)	91,513	43,931
Inventories (Note 2)	187,896	521,875
Total current assets	307,474	593,871
Other assets	73,314	73,314
Fixed assets — (at cost) less accumulated depreciation (Note 3)	221,937	15,059,282
Deferred exploration and development expense (Note 4)	26,863	1,211,694
	<u>629,588</u>	<u>16,938,161</u>
LIABILITIES		
Bank advances	31,772	31,772
Notes and accounts payable	1,305,063	1,304,570
The Chase Manhattan Bank (Note 6)		1,000,000
Panamerican Commodities S.A. (Note 5)		618,265
Total current liabilities	1,336,835	2,954,607
Deferred liabilities (Note 6)	173,908	6,983,554
Capital stock authorized and issued 600 shares of \$/1,000 each	22,388	22,388
Deficit (Note 3)	(903,543)	
Capital surplus on valuation of Property rights and leases (Note 3)		6,977,612
	<u>629,588</u>	<u>16,938,161</u>

COBRE SAN JUAN S.A. AND ITS WHOLLY
OWNED SUBSIDIARIES

Notes to Balance Sheet and Pro-Forma Balance Sheet
as at December 31, 1966

	U.S. \$
1. Account receivable	91,513
Less, Due from Panamerican Commodities S.A.	47,582
<i>Pro-Forma</i>	<u>43,931</u>
2. Inventories of ore	187,896
Add, Inventory of supplies from Panamerican Commodities S.A.	333,979
<i>Pro-Forma</i>	<u>521,875</u>
3. Fixed assets, at cost less accumulated depreciation	221,937
Add, Equipment from Panamerican Commodities S.A.	481,190
	703,127
Add, Property rights and leases cancellation of deficit	903,543
Assumption of loans from The Chase Manhattan Bank, N.Y.	6,475,000
Write up in value to equal acquisition price to Canperu Development Ltd.	6,977,612
<i>Pro-Forma</i>	<u>14,356,155</u>
4. Deferred Exploration and Development expense Balance sheet	26,863
Add, Transfer from Panamerican Commodities S.A.	1,184,831
<i>Pro-Forma</i>	<u>1,211,694</u>

5. Panamerican Commodities S.A.

Assets and rights of use as per agreement	2,000,000
Less, Amount included in accounts receivable (Note 1)	47,582
Less, Amount included in accounts payable	493
	<u>47,089</u>
Transfer of reserve for employees severance	334,646
	<u>381,735</u>
	1,618,265
Less, Amounts payable in 2nd. and 3rd. years, transferred to Deferred liabilities	1,000,000
<i>Pro-Forma</i>	<u>618,265</u>

6. Deferred liabilities

Equipment	164,701
The Chase Manhattan Bank, N.Y.	6,475,000
Less, Current portion	1,000,000
Due to Panamerican Commodities S.A.	1,000,000
Reserve for employee severance	9,207
Transfer from Panamerican Commodities S.A.	334,646
<i>Pro-Forma</i>	<u>343,853</u>
	<u>6,983,554</u>

Note: The foregoing transactions which form the basis of the Pro-Forma Balance Sheet are as detailed in the agreement between Acari Mines Ltd. and Messrs. Guillermo and Eduardo Dasso under date of January 23, 1967.

HANSEN-HOLM, ALONSO & CO.
Contadores Publicos

Lima - Perú

The Directors,
Acari Mines Ltd.
Saint John, New Brunswick
Canada

Dear Sirs:

In accordance with your instructions we have made an examination of the accounts of:

Cobre San Juan S.A.
San Antonio de San Juan del Perú S.A.
Hierro Sur S.A.
Inversiones San Miguel S.A.

as at December 31, 1966, the last fiscal year end of the companies.

The purpose of our examination was to:

- A. In so far as practical verify the financial position as at December 31, 1966.
- B. Prepare a Consolidated Balance Sheet of the companies in accordance with the terms of the agreement between Acari Mines Ltd. and Messrs. Guillermo and Eduardo Dasso under date of January 23, 1967.

We have prepared and attached the following statement and schedules: Consolidated Balance Sheet of Cobre San Juan S.A. and its wholly owned subsidiaries San Antonio de San Juan del Perú S.A., Hierro Sur S.A. and Inversiones San Miguel S.A.

Schedule of transactions included in the compilation of the Consolidated Balance Sheet but not recorded in the accounts of the companies.

Schedule of the pertinent agreements affecting the companies.
Schedule of mining claims and concessions either owned or under lease.

We have the following comments to make in connection with our examination.

All the companies are incorporated under the laws of Perú; Cobre San Juan S.A. on September 8, 1965, San Antonio de San Juan del Perú S.A. on November 21, 1964, Hierro Sur S.A. on October 11, 1965 and Inversiones San Miguel S.A. on November 6, 1964.

We understand that the future operations of these companies will bear little resemblance to those of the past and therefore we did not concern ourselves with the history of the trading transactions.

Inversiones San Miguel S.A. primarily a haulage contractor is now the leasee of the Tunga claims and in future will also operate them. Under the agreement between Acari Mines Ltd. and Messrs. Guillermo and Eduardo Dasso dated January 23, 1967 this group of companies will be controlled by Canperu Development Ltd. a Nassau corporation and they will assume the mining operations in Perú previously carried on by Panamerican Commodities S.A. a Peruvian corporation.

Consolidated Balance Sheet

This statement is compiled in United States Dollars but the records of the companies are maintained in Peruvian Soles which we converted at the rate of 26.80 per U.S. dollar.

Inventory of ore 187,896

This is as shown in the records of San Antonio de San Juan del Perú S.A. as at December 31, 1966. As of this date it was not practical to verify quantities and in view of this we made no tests of its mathematical accuracy.

Other Assets 73,314

This is comprised of 1,072 shares of Panamerican Commodities S.A. at a cost of, 20,015 being 18.66 per share and Prepaid income taxes of 53,299. The financial statements of Panamerican Commodities S.A. at December 31, 1966 reflect a book value of 30. per share.

Inversiones San Miguel S.A. holds an option to purchase a further 21,928 shares of Panamerican Commodities S.A. for 409,176 being 18.66 per share.

Fixed assets at cost less accumulated depreciation 221,937

This represents vehicles at a cost of 263,872 less accumulated depreciation of 41,935.

Subsequent to December 31, Inversiones San Miguel S.A. purchased vehicles in the amount of 249,800 and which is payable over a period of three years.

Notes and accounts payable 1,305,063

This total included the following:

Due to Mrs. Katherine Gordon and others	218,946
This is a guarantee given to the bank by San Antonio de Perú S.A. to purchase (balance of 250,000)	
5,412 Shares of Panamerican Commodities S.A.	
250 Shares of San Antonio de San Juan del Perú S.A.	
245 Shares of Compania Minera Bella Union S.A.	
7 Shares Exploraciones Mineras S.A.	
9 Shares Panamerican de Inversiones Mineras S.A.	
By the end of May 1967, 43,703 has been paid. For the purpose of this balance sheet we placed no value on the acquisition.	
Due to Banco Minero del Perú	380,000
This is a guarantee given to the bank by San Antonio de San Juan del Perú S.A. on behalf of Explotadora de Minas e Industrias S.A. From the information given us, we formed the opinion that the borrower could not pay and that this company is now liable.	

Deferred liabilities 173,908

This is summarized as follows:

Payments for vehicles	105,157
Hochschild Loan	18,400
Notes "Wambesco"	41,144
	164,701
	9,207
Reserve for employee severances	173,908

Deficit 903,543

Reference to the schedule of items included in the Balance Sheet but not recorded in the accounts show:

- A. The accounts reflect a surplus of 19,942.
B. The entire deficit is the result of the scheduled adjustments.

Capital Stock 22,388

At the time of our examination the capital stock of three of the four companies although subscribed for had not been paid. For the purpose of this Balance Sheet we have reflected the acquisition by Cobre San Juan S.A. of all the shares of San Antonio de San Juan del Perú S.A., Hierro Sur S.A. and Inversiones San Miguel S.A. and the acquisition by Messrs. Guillermo and Eduardo Dasso of all the shares of Cobre San Juan S.A.

The transactions to effect this are presently in progress.

Schedule of Pertinent agreements affecting the companies.

We understand that your solicitors will be reporting direct to you on the various agreements and contracts in force and on all corporate legal matters affecting the companies.

Schedule of Mining claims and Concessions.

This schedule reflects how these claims and concessions are registered in the registers office.

The leases to Cobre San Juan S.A. of the Huinchu and Bella Unión S.A. concessions have not yet been completed.

In our opinion the attached Consolidated Balance Sheet as at December 31, 1966 of Cobre San Juan S.A. and its wholly owned subsidiaries, San Antonio de San Juan del Perú S.A., Hierro Sur S.A. and Inversiones San Miguel S.A. presents fairly the financial position of the companies as at that date and the supporting schedules present fairly the information required to be set forth therein all in conformity with generally accepted accounting principles.

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Yours faithfully,
(Sgd.) HANSEN-HOLM, ALONSO & CO.

Lima, Perú
June 26, 1967
(Sgd.) Werner Hansen-Holm (Partner)

Werner Hansen-Holm (Partner)
Peruvian Public Accountant
Matriculation No. 133

COBRE SAN JUAN S.A. AND
ITS WHOLLY OWNED SUBSIDIARIES

Consolidated Balance Sheet
as at December 31st, 1966.

ASSETS

Current assets		U.S. \$
Cash	28,065	
Accounts receivable	91,513	
Inventory of ore	187,896	307,474
Other assets		73,314
Fixed assets at cost less accumulated depreciation		221,937
Deferred exploration and development expenses	26,863	
	<u>629,588</u>	

LIABILITIES

Current liabilities		
Bank advances	31,772	
Notes and accounts payable	1,305,063	1,336,835
Deferred liabilities		173,908
Total liabilities		1,510,743
Deficit less Capital stock		
Deficit	903,543	
Capital stock authorized and issued		
600 shares of S/.1,000 each	22,388	881,155
	<u>629,588</u>	

COBRE SAN JUAN S.A. AND ITS WHOLLY
OWNED SUBSIDIARIES

Schedule of transactions included in the Consolidated Balance Sheet
as at December 31, 1966 but not recorded in the accounts

Cobre San Juan S.A.	U.S. \$
Adjustment of accounts payable	11,442
Write off of personal automobiles	13,321
Write off of deferred expenses	12,056
	<u>36,819</u>
Less, Reversal of excess depreciation	4,266
Charge to deficit	<u>32,553</u>

San Antonio de San Juan del Perú S.A.

To write off balance due from Explotadora de Minas e Industrias S.A. and set up liabilities for Bank guarantee on behalf of this company	614,181
To provide for liability to pay Messrs. Gordon and others	250,000
Adjustment of income taxes	7,593
Adjustment of royalties payable	3,147
Write off of miscellaneous expenses	6,212
	<u>881,133</u>
Less, Adjustments to accounts receivable	79,811
Charge to deficit	<u>801,322</u>

Hierro Sur S.A.

Write off deferred expense	867
Adjust accounts payable	3,500
Write off accounts receivable	52,311
Charge to deficit	<u>56,678</u>

Inversiones San Miguel S.A.

Write off of deferred expenses	22,589
Write off of an account receivable	9,512
Adjust accounts payable	831
Charge to deficit	<u>32,932</u>
Charge to Consolidated deficit	<u>923,485</u>

CERTIFICATION

I, Stanley John Hunter, of 6476 Churchill Street, Vancouver, B.C., do hereby certify that:

- I am a Consulting Mining Engineer with residence at 6476 Churchill Street, Vancouver, B.C.
- I am a Registered Professional Engineer in the Provinces of British Columbia and Ontario.
- I am a graduate of the University of British Columbia with a Bachelor of Applied Science in Mining Engineering and have practised my profession for nineteen years.
- I am not a vendor, member of the Board of Directors, or a regular employee of Acari Mines Ltd. (No Personal Liability) to whom this report is directed.
- I have no interest, direct or indirect, in the properties or securities of Acari Mines Ltd. (No Personal Liability) nor do I expect to have any such interest.
- This report on the Devils Elbow claim group of Acari Mines Ltd. (No Personal Liability) is based upon information obtained from an examination of reports of the Geological Survey of Canada and from a study of general reports and developments in the Bathurst area.

(signed) S. J. HUNTER

Vancouver, B.C.
June 3, 1967

S. J. Hunter, P.Eng.
Consulting Mining Engineer

REPORT ON
DEVILS ELBOW CLAIM GROUP

Bathurst District, New Brunswick

By: S. J. Hunter, P. Engineer, Consulting Mining Engineer
June 3, 1967.

INTRODUCTION

At the request of Acari Mines Ltd. (No personal liability) an examination was made of Geological Survey of Canada reports and maps, and of reports of companies operating in the Bathurst area on New Brunswick in order to prepare a comprehensive report on exploration of the Devils Elbow Claims.

Information derived from these reports together with knowledge obtained from the author's studies on the area from the basis for this report submitted herewith.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The Devils Elbow claim group comprises a continuous block of 54 located claims in the Bathurst area of New Brunswick.

The claims occupy the Valley of Devils Elbow Creek and lie a distance of 38 miles west of the City of Bathurst.

The general geology of the district has been presented in detail by the Geological Survey of Canada and consists essentially of Pre-Silurian sedimentary and volcanic beds that have undergone intense metamorphism and alteration through the intrusion of granite batholiths. Large lead, zinc, copper and silver replacement deposits are found in the Pre-Silurian rocks of the district, namely in the quartz porphyry complexes or unit 3.

In the area of the claims the favourable porphyry complex covers the north section of the group. In the centre and southwest corner chloritic schists are found in the south part acid volcanic rocks are predominant. Regional aerial geophysics has been conducted in the area and an airborne conductor has been indicated to the east of the claims and to the north of the claims. Two areas of magnetic depressions are found on the claims.

Of major significance for this property is the fact that a massive sulfide zone is found near its east boundary on the property of Devils Elbow Mines Ltd. This deposit has been drilled and at the present time the Hanna Steel Group have optioned the claims and are exploring further.

The Devils Elbow claim group of Acari Mines Ltd. shows the same geological characteristics.

Considering the prolific history of the district, the encouraging results on the Devils Elbow Mines Ltd. property, and the favourable geology on the claims of Acari Mines Ltd., the following programme is recommended wherein each subsequent phase will be dependent upon the success of the previous phase.

1. Detailed airborne magnetometer and electromagnetic survey.
2. Establish a surface grid line over the target areas as defined in the aerial work and tie this in to the claim legal posts.
3. Detailed soil sampling to be conducted over the anomalous areas plus general reconnaissance sampling.
4. Conduct detailed electromagnetic ground surveys over ground targets.
5. Check favourable areas by use of either induced polarization surveys or gravity meter before proceeding further.
6. Drill proven targets with exploratory percussion drill holes.
7. Prospect the claim group and prepare a geological map.

A sum in the estimated amount of \$87,000 will be required to complete this preliminary exploration programme.

GEOLOGICAL FEATURES

The structural pattern of the district involves two major anticlines in the northeast and a syncline in the south central section. Attendant to these major structures are many lesser folds in the rocks of the district with related small faults. The major folds plunge to the southwest and the northeast and the rocks on their limbs dip steeply to the east or west. In the central section of these major structures are the quartz porphyries and acid volcanic rocks. They, because of their stratigraphic location in the cores were subject to intense stress and metamorphism with the resulting strong development of schistosity. They then formed natural channels for mineralizing solutions.

Of particular importance on the Devils Elbow claim group of Acari Mines Ltd. is the evidence of extensive quartz feldspar porphyry rocks to the north and or chloritic schists in the central section with acid volcanic rocks to the south of the claims. To the immediate west of the claims lies a large granitic intrusive plug. On the eastern boundary on the claims of Devils Elbow Mines Ltd. is found a sharply folded section of the chlorite schists bisected by north-south faults. Massive sulfide mineralization occurs in the heart of the folded structure. Additionally, geophysical work has indicated an airborne electromagnetic conductor to the immediate north boundary. A magnetic depression is found on the south perimeter.

The picture is sufficiently encouraging to proceed with a preliminary exploration programme on the claims of Acari Mines Ltd.

MINERALIZATION

Although no mineralization has been reported on the Devils Elbow claims of Acari Mines Ltd., geological evidence is such as to present encouraging possibilities. The ore structures may possibly be located at depth hence practical use must be made of the correct geophysical approach.

GENERAL STATEMENTS

Considering the prolific success in the Bathurst area over the past twenty years, evaluating further the improvement in geophysical procedures, assessing the general cost reductions available in such a well developed area, and examining the favourable geological factors apparent on the Devils Elbow claim group of Acari Mines Ltd. (No personal liability), it is the author's opinion that the programme outlined and the expenditures recommended for the Devils Elbow claim group are fully warranted and have every reason to result in a successful venture.

CERTIFICATION

I, Stanley John Hunter, of Vancouver, B.C., do hereby certify that:

1. I am a Consulting Mining Engineer with residence at 6476 Churchill Street, Vancouver, B.C.
2. I am a Registered Professional Engineer in the Provinces of British Columbia and Ontario.
3. I am a graduate of the University of British Columbia in Mining Engineering and have practised my profession for 18 years.
4. I am not a vendor, member of the Board of Directors, or a regular employee of Acari Mines Ltd. (NPL) to whom this report is directed.
5. I have no interest, direct or indirect, in the properties or securities of Acari Mines Ltd. (NPL) nor do I expect to have any such interest.
6. This report is based upon an examination of the Peruvian properties of Acari Mines Ltd. (NPL) by the author over the period of January 13 to 24, 1967 and from information gained from engineering studies made of the Acari deposits and operations.

Vancouver, B.C.
February 27, 1967

S. J. Hunter, P.Eng.
Consulting Mining Engineer

PERUVIAN PROPERTIES

Acari Mines Ltd. on January 23, 1967, signed an agreement with Dasso brothers to form Canperu Development Ltd. Acari was able to obtain this agreement through Early Bird Mines Ltd., a Vancouver-based company which holds extensive gold properties in Peru. Early Bird, for its negotiations, will receive 100,000 shares of Acari Mines Ltd. vendors' stock.

The agreement is to acquire 50 percent of a new company called Canperu Development Ltd. The remaining 50 percent of Canperu will be owned by Peruvian interests based in Lima, Peru, and headed by Dr. Guillermo Dasso and his brother Eduardo, who are from a well-known, socially prominent South American family. Canperu will take over vast, relatively unexplored producing properties which have shipped a total 6.4 million tons of 60-65 percent iron ore over the past several years. Known proven, probably and geologically-inferred reserves total 315.2 million tons of 63 percent iron ore. The properties also include extensive copper deposits. Development work has been almost negligible, although 13,335 tons of between 15 and 20 percent copper oxides have been shipped to date.

Canperu will take control of the iron-copper properties, which are located on the coast and interior in the centre of Peru, from Pan American Commodities, S.A., and Associated Companies. This latter company has expended \$12 million on the properties since discovering them in the early 1950's. Part of the expenditure went into an ultra-modern deep sea port at San Juan, 350 miles south of Lima. The port is connected to the Acari Concession, one of the main iron-copper properties, by 40 miles of two-lane asphalt road. The Acari concession (from which Acari Mines Ltd. took its name) adjoins the Marcona Mining Company property, which ships seven million tons of iron ore products per year.

Pan-American Commodities' \$12 million expenditure also includes a \$7 million, long-term commercial loan from the Chase Manhattan Bank, New York, taken out to consolidate previous loans (\$5.5 million) and to implement exploration and development programs Acari Mines Ltd., under the agreement with Canperu, will furnish Canperu with \$2 million U.S. Of this, \$1 million will be used to pre-pay Chase-Manhattan, alleviating interest charges and the sinking fund. The second \$1 million will go into immediate exploration and development programs on the properties, and assist in increasing present

production. The mineral holdings controlled by Canperu Development encompass seven concession areas totalling 259,797 acres:

Acari (iron-copper 56,740 acres); Ica (iron 7,141 acres); Pongo (iron 12,380 acres); Bella Union (copper 15,000 acres); Tunga (iron 54,472 acres); Atiquipa (iron-copper 17,500 acres); and Romilda (Huinchu) (iron 96,564 acres).

The Peruvian group for its 50 percent of Canperu Development Ltd. will furnish the company with all the shares of capital stock of Cobre San Juan, S.A. which in turn owns all the capital stock of San Antonio de San Juan del Perú, S.A., Hierro Sur, S.A., and Inversiones San Miguel, S.A. and will also furnish these companies with lease contracts to any of the foregoing concessions not already owned or leased.

THE PORT

The deep-sea port of San Juan, built by Pan-American Commodities to ship its iron ore and copper products, is one of the finest in South America. The huge facility, constructed in 1959 for \$4 million, has a replacement value of more than \$6 million today. The pier easily loads ships of 55,000 ton capacity, and work soon will get underway to enlarge this capacity to accommodate 80,000 ton vessels. The port can store 250,000 tons of iron ore above the 24 fillers, or "windows", which open onto the conveyor belt system leading to the waiting ship. There is 1,000,000 tons of storage space in the port area. The system of six belts carry the ore 2,663 feet from the storage space to the loading area. The loading boom is 50 feet above the sea level, an extremely important point in view of the large ore ships now under construction in Japan and other countries. The ore is hauled from all mining areas to the port area by truck, released into a hopper, and carried 161 feet to the storage area, where it is graded and stored in high piles.

The capacity from the hopper to the stockpile is 1,000 tons per hour; loading from the stockpile to ship can reach 2,200 tons per hour. Average capacity is 1,000 tons per hour.

Jorge Ruiz de Castilla, the San Juan port superintendent, said 6,822,643 long tons of iron ore had been shipped from the port from August 1959 through January 4, 1967.

CONSULTING GEOLOGIST REPORT GENERAL STATEMENT

Acari Mines Ltd. will become a 50 percent partner in properties upon which imaginative and positive investment of capital will result in a new copper-iron empire in coastal and central Peru. The seven concession areas in which Acari Mines Ltd. is to be a partner cover some 259,797 acres of relatively unexplored mineral leases upon which two iron ore plants are currently operating and two copper leases are producing. One concession is the Acari, after which Acari Mines Ltd. is named; it is 350 miles south of Lima and has the potential for 100 years of competitive copper and iron development. It is, as well, the gateway to the development of rich metal wealth eastward up the Acari Valley into the Andean Uplands, where high reserves of iron and other metals are known to exist. It is my opinion that the output of the existing iron plants can be expanded appreciably and that the copper zones have large potential hitherto overlooked. The copper vein deposits have surface exposures of copper oxides with significantly high assays reaching 35 percent copper. These, with sorting, would average out to a 2 or 3 percent product with mining dilution. The existing plants and mine force are productive and will provide excellent material upon which to build a large economic enterprise.

Acari Mines Ltd. has the opportunity of providing the necessary new monies, as well as technical knowledge and technical personnel, needed to expand the high grade iron ore area located at Acari, Pongo, Tunga, Atiquipa, Ica and Huinchu, and to explore and develop the high grade copper zones of Bella Union, Cobra Acari and Atiquipa.

Present ore reserves are encouraging and the geology of the area provides firm promises for the development of larger reserves.

The operations and development of vast zones of copper, such as occur at Cerro de Pasco's Peruvian mine and Anaconda's Chilean mines, are certainly not unique; they are merely indicative of the richness of metal potential in this part of South America. The location of the Acari Mine Ltd. development in Peru offer low-cost supply to the world markets from a relatively stable country of extensive wealth in raw materials. Although the world's iron supply is in a buyer's market, the high quality magnetite ores of Acari Mines Ltd. find a ready market.

Although copper is in increasingly short supply, the copper ores of Acari give enough visible evidence of quantity and response to simple treatment to present a solid attractive addition to the competitive markets. It is my opinion that if all recommended programs are implemented, the new venture of allied Canadian and Peruvian resources will result in a successful enterprise.

"S. J. Hunter," P.Eng.
Consulting Mining Engineer.

ACARI CONCESSION

This iron-copper property is located on and around Mt. Mastuero, 350 miles south of Lima and 40 miles inland. Its 40-mile paved highway leads to the port of San Juan and also connects with Peru's main coastal route, the Pan-American Highway. The Acari Concession also has its own airport (two hour flight from Lima) and thus is easily accessible by land, sea and air.

PLANT EQUIPMENT

Immovable iron mine assets include a complete crushing, screening and magnetic concentration plant capable of processing 5,000 tons of iron ore daily. Current production is 2,500 tons per day, of which 1,500 come from underground operations and the remainder from open pits.

Present production is on a three-shift, six-day week basis. Recoveries involve 50 percent lumpy and 10 percent fines with a 40 percent waste rejection. (Prior to 1964, fine ore was not treated, so that present stockpiles contain extensive recoverable fines). The Acari Mine site also features complete mechanical and electrical shops, staffed by competent personnel, to maintain all mine equipment. The underground and open-pit operations are all adequately equipped, and there are two 1,665 H.P. generating plants — one at the Acari Mine and another at the port.

WORKING FORCE

The Acari iron mine force totals 500 workers who live in a company housing development. Contractors who work the open-pit operations have an additional 500 workers. Employees (100 per cent Peruvian) receive free housing, water, power, medical aid and education. All employees belong to a union, although union membership is not compulsory. Wages average \$3 per day for labor and \$6 per day for skilled tradesmen.

TOPOGRAPHY

The Acari Concession area embraces the typical coastal sector of Peru, which includes low-lying desert plains of sand wastes. Elevations range from sea level to 1,000 feet a.s.l. Outlying mountains, ranging from less than 500 feet to 4,000 feet, fringe the coastal desert some 40 miles inland. Temperatures range from 65 to 90 degrees over the year. Rainfall is almost nil, thus the Acari mine works on a year-round basis. Artesian wells are bored locally in the Acari Concession.

GEOLOGY

The Acari iron ore bodies are steeply dipping veins emplaced in a massive granodioritic intrusive rock. It is felt they replaced favorable host rock, calcareous in nature, which occupied volumes now filled by massive fine-grained magnetite. Quality of magnetite mineralization varies from magnetite veins over widths of 100-plus feet to mixed magnetite and amphibole veins over narrow widths of three feet or less. The magnetite is of extremely low phosphorous and sulphur content.

IRON ORE DEVELOPMENT

Iron ore, to date, is being mined from two underground veins, and from the giant Veins 5, 6 and La Mancha open pit operations. The latter is near the summit (3,600 feet) and far side of Mt. Mastuero. Current iron ore production is 780,746 tons per year (2,500 tons per day) grading from 62 to 64 percent iron. Reserves, based upon existing knowledge, total 16,639,710 (8,139,710) positive) of 63 percent iron ore. A future 10 million tons may be geologically inferred. Possibilities of extending these reserves are positive since the property has not been explored in detail. A magnetometer survey has already indicated more broad, anomalous areas. Ultimate extent of possible iron reserves may extend to 30 million tons of premium grade iron ore.

A separate study has indicated a possible additional 18 million tons of low grade (35 percent Fe) iron ore in the lower portion of the Acari Concession. Studies by the Peruvian government have indicated there are possibly one billion tons of iron-bearing sands in the lower Acari grading 19 percent iron. Production records to November 1966, show lumpy and fine ore totalling 6,822,643 long tons. Details of some of the Acari Concession vein systems are as follows:

Vein 6: Presently open pit, now proceeding underground. The vein was recognized for 300 meters and an average width of 25 meters.

Vein 5: This was discovered three years ago. Original estimates were for a total 150,000 tons. Tonnage to date: 800,000 tons. (There are two million tons of proven ore in Veins 5 and 6 to date. Drilling is being carried out to extend this figure).

The plant at the Pongo has been moved to the Veins 5 and 6 area where more extensive iron ore reserves have been delimited. This move is to eliminate the long truck haul of run-of-mine ore to the central plant; hence a considerable cost saving will be realized.

Veins 1-A Exploited since 1961 and to date have yielded almost four and 2: million tons of ore. Proven reserves are 1.5 million tons. Vein 17: Work started last year; some 150,000 tons have been mined to date.
LA MANCHA OPEN PIT: Production to start at 1,000 tons per day from reserves of 1.5 million tons.

A major discovery has been reported of iron ore to the north and south of the LaMancha open pit. This appears to be an extension of Vein 1 and will add potentially over 5,000,000 tons to the main reserves. Exploratory underground development is in progress on this new find.

The cost picture for the iron mining has been detailed to show the following costs and profit per ton of ore shipped:

	<i>Fines</i>	<i>Lumpy</i>
Mining charges	\$ 2.73	\$ 5.75
Including Mining		
Treatment		
Transportation		
Royalties		
Depreciation		
Mining overhead		
Taxes and port charges	0.88	0.88
General overhead	0.14	0.14
Interest on loan	0.40	0.40
Cost price	4.15	7.17
Cost reduction	—	.50
Final Cost	4.15	6.67
Selling Price	4.75	7.75
Profit per Ton	0.60	1.08

It is, therefore, estimated that profit from mining the Acari deposits of iron will return \$1,468,688 per year.

The combined profits prior to write-off would total per annum:

	<i>Profit</i>
<i>Metal</i>	<i>\$</i>
Iron	1,468,688
Copper	1,240,000
Per Year	2,708,688

The development of ore reserves has been quite remarkable, especially in the iron ore. Incorporating the recent results on the La Mancha and the review made by the Peruvian Engineer, the iron ore reserves are as follows:

<i>Property</i>	<i>Proven</i>	<i>Probable</i>	<i>Inferred</i>	<i>Total</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Huinchu			277,480,000	277,480,000
Acari	6,639,710	7,000,000	10,000,000	23,639,710
Ica	500,000	500,000	8,800,000	9,800,000
Pongo	1,000,000	1,000,000	2,000,000	4,000,000
Tunga			200,000	200,000
Total	8,139,710	8,500,000	298,480,000	315,119,710

With regards to costs, the programme of rigid cost reduction is well launched with three major factors being pursued at present. The transfer of the Pongo plant to Veins 5 and 6 location will greatly reduce transport costs. The new water pipeline system is fully operative so that water-haul charges are reduced. The discovery of greater reserves of open pit ore will allow an increase in mining of open pit material to a larger proportion of general needs and so reduce costs.

The new production schedule calls for the following:

	<i>Gross Tons</i>	<i>Fines Tons</i>	<i>Lumpy Tons</i>
Open pit	726,000	152,460	573,540
Contractor	469,500	98,595	370,905
Underground	304,500	63,945	240,555
	<u>1,500,000</u>	<u>315,000</u>	<u>1,185,000</u>

With regards to capital requirements, provision must still be made for development of the Ica Concession plant and for development of a copper flotation plant within 3 years, which plant should return after costs over \$900,000 per annum for a production of 170,000 tons at a grade of 2.5%.

The Company is currently negotiating larger contracts in both iron and copper with International companies and there is keen interest in Acari development. The type of iron ore and the grade of copper make this an outstanding district for metal potential.

PONGO CONCESSION

An iron ore property which adjoins the Acari Concession and is accessible through inter-connecting roads. The Pongo reserves have been investigated only during the past two years, and a preliminary estimate from the minimal investigation indicates proven reserves of one million tons and probable reserves of three million tons. The Concession has provided approximately 400,000 tons over the past two years.

ICA CONCESSION

This Concession is 150 miles south of Lima and 42 miles by paved road from the developing port of Pisco on the coast. The coastal Pan-American Highway passes through Ica; there also is an airstrip at Pisco (one hour flight time from Lima). The open pit iron mining operations are 500 feet above sea level: the rounded hills containing the iron deposits are from 300 to 1,000 feet above the desert plain. The Ica Concession does not have a developed plant or dock facilities at present, but the Peruvian government, is building deep sea freighter dock facilities at Pisco.

GEOLOGY

Geology of the Ica area is similar to that of the Acari Concession, in that magnetite occurs as steeply-dipping vein emplacements in granodiorite rocks. The wall rocks are highly-altered dyke rocks. The vein structures are consistent over long distances and widths occasionally range to 60 feet.

RESERVES

The Concession has received only superficial assessment, by an independent geologist and by several drill holes drilled by Bethlehem Steel of Pennsylvania in 1929. The present work zone involves two pits containing veins 30 to 40 feet wide; backs will range to 300 feet above the plain or pampa. One zone has been traced on surface for 3,000 feet. The Concession has produced approximately 100,000 tons of iron ore over the past two years. Preliminary reserve estimates, by a reputable engineer, range to a possible 24 million tons of 67.96 percent iron. This figure may be doubled with a detailed exploration program. However, until such a study is undertaken, the author has placed present recoverable reserves as 9.8 million tons.

BELLA UNION CONCESSION

This copper property surrounds the Acari Concession. Production on a small, high-grading and exploratory basis over the past three years, has been recorded at 12,436 tons grading between over 15% copper oxides. Inferred reserves are 300,000 tons of 2.5 percent sulphides, and over 100,000 tons grading over 15% cu.

TUNGA CONCESSION

This iron property near the Marcona ore bodies, 45 miles from the Acari Concession mine near the coast, has received only preliminary assessment, with a resulting reserve figure of 200,000 tons in sight in an outcrop. The operation went into production in March at 2,000 tons per month.

ATQUIPA CONCESSION

An iron-copper property 120 miles south of the Acari Concession mine, near the Pan-American Highway. Small scale exploration has been conducted to date.

REMILDA CONCESSION

A vast iron ore property near the town of Tintay in the Andean Uplands, 135 miles due east of the port of San Juan.

The Concession country ranges from 9,000 to 10,000 feet above sea level. However, the approach gradient from San Juan up the Acari River Valley is gradual and entirely suitable for railway development. A feasibility report for construction of a railroad to Tintay will be conducted; such a facility would open up a new area of Peru for development. The Remilda mineralized zone consists of a series of irregular-shaped large ore bodies along a contact zone of the outcrops of Cretaceous intrusive granodiorite, and limestone beds also of Cretaceous age. The ore minerals are magnetite and benatite mixed together, forming a high grade compact ore. Ten outcrops have been located to date but only four have been investigated. The four zones extend over 14,500 feet and occupy widths of 150 to 450 feet.

Analysis shows 62 to 68 percent iron. Ore reserve estimates will range to 87 million tons on the four deposits examined. Japanese geologists (Mitsubishi) said in a report that estimated reserves could total 277,480,000 metric tons of 66 percent iron ore.

RECOMMENDATIONS

To guarantee continuity for the operations at Acari and to provide greater cash flow through diversified and more flexible operations, the following policy, is necessary:

1. Iron production must be increased by at least 50 percent to reduce costs further. In consequence an exploration program must be initiated in an attempt to double iron reserves on the Acari, Pongo and Tunga Concessions which are all central to the existing plant and Port of San Juan.
2. Copper potential must be explored and an attempt made to start production on both oxides and sulphides. A 100-ton per day, pilot-leaching plant has been started and will be operated by Hochschild of Arequipa.
3. An alternate should be provided for the Acari iron source. To secure this the Ica Concession must be explored and developed to production since it presumably has potential for higher grade ore and lower costs.
4. The feasibility of the Huinchu deposits are now being investigated for production.
5. The general area should be explored under the agreement.
6. A firm program of further cost reductions should be initialed by means of research, general budget control, technology, etc.

COPPER DEVELOPMENT

This has been conducted only on a small, high-grading and exploratory basis to date. There are four known copper areas at present. Three are on the Acari Concession being developed by Cobre San Juan; the other is on the Bella Union Concession being developed by a contractor. The Cobre San Juan operation, has been in limited production for two years. It has shipped some 900 tons of 15 to 20 percent copper oxides. The known Cobre San Juan "Vein 15" is 6,000 feet long and, at the present time, 300 feet deep. It features erratic oxides grading to 15 percent for 150 feet, and a more uniform zone of sulphides from 150 to 300 feet, grading from two to three percent copper. Below 300 feet, there is a uniform grade of sulphides assaying around 1.5 percent copper.

The Acari Concession to date contains 16 known copper veins. Very little exploration and development work has been done, thus reserves are of the "inferred" category. These total 1.8 million tons grading between two and three percent copper oxides and sulphides.

In the copper developments, the following production figures were obtained from the Company records and certified production receipts of the Mauricio Hochschild Company for 1966:

Property	Tons Ore	Cut(%)
Bella Union	4,087.72	18.13
Cobre San Juan	876.28	14.21
1967 - Jan. to April	2,000.00	15.50

It is apparent that these are pre-concentrated ready-to-ship ores of very high grade. In view of the favourable geological assessment to date it is planned to increase production to 15,000 tons per year of 15% Cu grade. Assuming a price of 40¢ per pound of copper and total operating charges of \$37.33 per ton of ore for shipment, thence annual profit on copper would be \$1,240,000 with a very low capital investment.

PROPOSED EXPLORATION AND DEVELOPMENT PROGRAM

Exploration and development should be guided by the following general purposes:

1. To explore the main Acari Concession for iron ore over the next two years both on surface and underground in order to define the following:
 - (a) An additional 10 million tons of iron reserves over the present nine million.
 - (b) A possible centralization of the workable reserves in order to feed one plant on a short haul basis, reducing costs by \$1.00 per ton.
 2. To explore the Acari Concession for copper potential to define:
 - (a) A minimum reserve of one million tons of copper sulphide ore of a grade of 2.5% or adequate to support a 300-ton per day mill for ten years and return earnings of \$340,000 per year at 40¢ per pound of copper.
 - (b) A minimum reserve of one million tons of copper oxide ore of a grade of 2.5% or adequate to support a 250-ton per day mill for 10 years and return earnings of \$340,000 per year at 40¢ per pound of copper.
 3. To explore the Pongo Concession for iron potential, to define:
 - (a) A further iron reserve of four million tons above present reserve of four million tons so that the Acari facilities will be bolstered and dock will work at maximum output.
 - (b) An increase of shipments can be made to reduce costs a further \$1.00 per ton.
 4. To explore the Ica Concession both on surface and underground, to define:
 - (a) An ore reserve of 10 million tons in the proven category.
 - (b) To provide for a 3,000 tons per day plant which will be a high-grade iron producer at low cost (\$5.00 per ton) to back up the Acari Concession supplies in the event of any inability to deliver.
- In order to take advantage of current copper prices, and provided adequate skilled management and financing are available, the above programme may be accelerated.

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